

Lansing, Michigan April 3, 2001

A regular meeting of the State Administrative Board was held in the State Capitol, Senate Appropriations Room, 3rd Floor, on Tuesday, April 3, 2001, at 11:00 a.m.

Present: Brian DeBano, Director of State Government Affairs, representing
 John Engler, Governor, Chairperson
 David Hildenbrand, Deputy Chief of Staff, representing Dick
 Posthumus, Lt. Governor
 Theodore Hughes, Assistant Attorney General for Law, representing
 Jennifer M. Granholm, Attorney General
 Julie Croll, Deputy State Treasurer, representing Mark A. Murray,
 State Treasurer
 Joseph Pavona, Bureau of Administrative Services Director,
 representing Candice Miller, Secretary of State

Arlene Oisten, Secretary

Absent: Arthur Ellis, Superintendent of Public Instruction

Others Present:

Barbara Brown, Deborah Devine, Matthew Keck, Timothy F. Konieczny, Michael Reilly, Attorney General's Office; David Ancell, Sherry Bond, James Burris, Kathy Jones, of the Department of Management and Budget; Randy Knapp, Pam Lavender, of the Department of Transportation; Joe Fielick, Valerie Khoury, Department of Treasury; Jim Bliss of Dickinson Wright; Alan Wilk, Jason Hanselman, Kim Ross, Joash Schulman, of Dykema Gossett, representing MCI WorldCom; Ron Khoury, Nancy Nyquist, of Kheder and Associates; Keith Eismann, MCI WorldCom; Richard F. Vander Veen, Miller, Johnson for Sprint; Arthur J. LeVasseur of Fischer, Franklin and Ford, representing AT & T; Larry Lee of Gongwer; Karl Trautman of the Senate Democratic Staff

1. CALL TO ORDER:

The meeting was called to order by Mr. DeBano. Deaconess Nita Cunningham of Grace Lutheran Church in Lansing gave the invocation. Mr. DeBano led the Pledge of Allegiance to the Flag.

2. READING OF MINUTES OF PRECEDING MEETING AND APPROVAL THEREOF:

Mr. Hughes moved that the minutes of the State Administrative Board for the regular meeting of March 20, 2001 be approved as distributed. Mr. Pavona supported the motion, and it was unanimously adopted.

3. HEARING OF CITIZENS ON MATTERS FALLING UNDER JURISDICTION OF THE BOARD

Mr. Wilk of Dykema Gossett, representing MCI WorldCom, requested that the Board not approve the Department of Corrections inmate phone contract with Sprint. They had received a losing bidder notification, appealed the DMB decision and that appeal had been denied by DMB Purchasing. He stated five points that are questioned in the award process by DMB.

He explained that the phone usage data was not up-to-date. Sprint is the current carrier and had access to the most recent, accurate data prior to the other bidders who had to request the most recent data from Sprint, because DMB's data was older. The JEC would have found it difficult to make a decision and evaluate prices based upon two sets of data.

Mr. Wilk felt that DMB violated its policy of not allowing rates to be included in the technical proposal. Mr. Wilk felt that Sprint had included some rate and percentage amounts in their technical proposal, which was a violation of the DMB requirements.

There was a sixteen point differential between Sprint and MCI WorldCom. There was no justification available by the JEC and Mr. Wilks feels the JEC misunderstood some of the explanations by Sprint.

The references Sprint listed included Florida and New Hampshire. Both of these states no longer have Sprint as their correctional inmate phone carrier.

Mr. Wilk also alleged the JEC misunderstood the pricing rates. Sprint compared its rate to that of an AT & T public pay phone rate making a misleading comparison. There were three tests for payment rates that would include current rates, national averages, and competitor rates. Sprint's rates were higher in each area.

The proposed contract is \$7.2 million more than the current contract. Mr. Wilk estimated that it would cost inmate families \$20,000,000 more for the term of the contract with Sprint than if the contract were awarded to MCI WorldCom and questioned if this was in the best interest of the inmates, their families, the state, and taxpayers.

Mr. Eismann, Senior Manager of MCI Government Markets Division, listed several of the 17 states where MCI currently provides the inmate phone service, serving over 600,000 inmates. Their bid was submitted with the idea that the state would want to drive the cost down. MCI proposed lower rates and commissions to the state based upon the cost statistics provided to them. He questioned why Sprint's equipment was valued more highly than MCI at the JEC meeting. Being familiar with his competitors' equipment, the three way clicking equipment works the same for all three vendors.

Mr. Eismann urged further review before approving the contract. He asserted that the only one who benefited from the \$20 million increase was Sprint.

Mr. LeVasseur, representing AT & T, stated his clients had appealed the DMB decision and were also denied. He agreed with the MCI WorldCom counsel and expressed that AT & T was also concerned with the differences in pricing and the technical problems not addressed in the JEC evaluation.

Mr. Ancell of DMB Purchasing, had met with AT& T and Sprint representatives to discuss the technology differences and felt there were differences in the equipment. The appeals were denied.

Mr. Wilk explained that he had received the appeal denial just prior to the Finance and Claims Committee meeting on March 27, 2001. He did not have enough time before the meeting to review and refute each statement prior to the meeting. He brought out further information at this meeting

than at the Finance and Claims Committee last week. The call volume numbers had been sufficiently updated by DMB in December and the new information was not provided to them until later. Sprint had the availability of those numbers prior to any other company bidding for this contract. He felt the Board should review the information further, before approving the contract.

4. COMMUNICATIONS:

None

5. UNFINISHED BUSINESS:

None

6. NEW BUSINESS:

Certified Retention and Disposal Schedule

Port Huron Police Department, Records Service Bureau, 3/12/01

Retention and Disposal Schedules:

Consumer and Industry Services, Bureau of Construction Codes, Plumbing Division, 2/12/01

Department of Community Health, Chronic Disease and Injury Control Division, Violence prevention Section, 1/28/01

Mr. Pavona moved that the Certified Retention and Disposal Schedules and the Retention and Disposal Schedules be approved by the Board. Mr. Hughes supported the motion and it was unanimously approved.

7. REPORTS AND RECOMMENDATIONS OF COMMITTEES:

(Please see the following pages)

Ms. Croll presented the Finance and Claims Committee Report covering the regular meeting held March 27, 2001. After presentation and review of the forgoing Committee Report, Ms. Croll moved that the regular Finance and Claims Committee Report of March 27, 2001 be approved and adopted, noting that item 22 (1) was withdrawn. The motion was supported by Mr. Hughes and unanimously approved.

Ms. Croll presented the Building Committee Report covering the regular meeting held March 28, 2001. After presentation and review of the forgoing Committee Report, Ms. Croll moved that the regular Building Committee Report of March 28, 2001 be approved and adopted. The motion was supported by Mr. Hildenbrand and unanimously approved.

Mr. Pavona presented the Transportation and Natural Resources Committee Report for the regular meeting of March 28, 2001. After review of the forgoing Transportation and Natural Resources Committee Report, Mr. Pavona moved that the Transportation and Natural Resources Committee Report covering the regular meeting held March 28, 2001 be approved and adopted with the withdrawal of item number 31 at the request of the Department. The motion was supported by Mr. Hughes and was unanimously approved.

8. MOTIONS AND RESOLUTIONS:

None

9. ADJOURNMENT:

Mr. Hughes moved the meeting be adjourned. The motion was supported by Ms. Croll and unanimously approved. Mr. DeBano adjourned the meeting.

SECRETARY

CHAIRPERSON